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China, Peoples Republic of

Retail Food Sector

The "am/pm" Convenience Store Chain Quits

Guangzhou

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Report Highlights:

As of late March 2002, British Petroleum closed its am/pm convenience stores in Guangzhou, leaving 7-11 as the only overseas invested convenience store chain in the city.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Guangzhou [CH3], CH

British Petroleum (BP) as of late March 2002 completed a deal with the local 7-11 convenience store chain licensee to transfer the assets of the am/pm convenience store chain and closed the six am/pm convenience stores in Guangzhou. The deal leaves 7-11 as the only overseas convenience store chain remaining in the Guangzhou market, but BP is not completely out of the convenience store business in China. The BP stores that are attracted to its gas service stations will remain open and their numbers may expand as BP in conjunction with its local partner PetroChina opens more gas service stations in south China. At the present time, BP operates 60 stores located among its approximately 250 gas service stations in southern China. The Guangzhou am/pm convenience store chain up until closure carried some imported food and beverage products and in 2000 participated in an ATO Guangzhou imported food and beverage products retail promotion.

According to local BP company sources, the main reason for discontinuing the am/pm chain in Guangzhou was that high rent and poor infrastructure (i.e. electricity and water) made sustaining store profitability difficult. While sales were good, operating expenses were hard to control. Under this situation, the company decided to shift its retail focus and only concentrate on stores attached to their gas service stations. The sources denied that competition from 7-11 was a factor in the company's decision. They added that private kiosks actually took away more business than other overseas invested retail chains. The am/pm convenience store chain was one of the few in Guangzhou that did not charge its suppliers a multitude of fees for the opportunity to put product on store shelves.

The am/pm convenience store chain started retail operations in Guangzhou in 1998, not long after 7-11 stores began opening in the city. Establishing the chain in China was initiated by the ARCO petroleum company, but China operations were taken over by BP after their purchase of ARCO. In Guangzhou, am/pm stores had an average of 1,600 to 1,800 SKUs and some of which were imported products. Among these imports, according to a local BP source, candies generated good sales, especially when the product was new to the market. At BP's gas station convenience stores, candies did not and still do not sell well, because the customer base is different. Children and young people, the main candy buyers, are fewer, while older people are more numerous. BP's gas station stores average between 500 and 1,000 SKUs.

Despite am/pm's departure from the market, the editor of the local retail publication "Purchasing" magazine said that a couple of convenience store chains which already operate in northern China are looking to enter the south China market. No details were specified. In addition, a retail industry source says that the Circle K chain is planning to open stores in Guangzhou. According to this source, the chain currently is trying to acquire a local business operating license and will start operations sometime after local government approval. A local source with BP also claims that the am/pm chain may return to Guangzhou in the future, but much depends on whether retail market conditions change.